

# DOES YOUR COMPANY'S RETIREMENT PLAN HAVE A WRITTEN INVESTMENT POLICY IN PLACE?

By Elizabeth Keating, CPA

If your plan has an investment policy in place, can you remember the last time it was reviewed or updated? Do you know what a good policy should address? If the answer to any of these questions is no, read on!

### Purpose and general content

At a minimum, a retirement plan investment policy is a valuable document that provides direction for a plan sponsor in making investment selection decisions. It can also serve as a guide for what monitoring procedures the plan sponsor will perform throughout the year, as well as define what warning signs might require the need for a change in investment offerings, a negotiation of fees, or possibly reevaluation of the Plan's service providers.

### Does my plan really need one?

Although investment policies are not legally required like plan documents are, we recommend plan sponsors include one in their plan administration toolkit because it provides proof that the sponsor is being prudent in their decision making processes and is carefully managing the Plan's assets. It is also difficult to successfully manage a plan's investments if the sponsor has not first defined what they want to achieve for their company's plan.

### A few notes of caution

Keep in mind that no plan is too small to benefit from the development and use of an investment policy. Just because your company might have a small plan does not mean it won't benefit from a policy

because all plans hold investments. Plan Sponsors should also exercise caution in developing or updating policies, ensuring that they are specific enough to provide guidance but general enough to allow for flexibility. A policy should outline the general strategy that the sponsor intends to follow, considering risk tolerance, degrees of diversification, or whether the Plan's offerings should include or exclude certain types of investments. An effective policy will help address such areas without burdening a plan with too many specific rules.

### Review and update as needed

As with any retirement plan documentation, investment policies should be periodically reviewed and updated as necessary. Actual

*continued on page 2*



## IN THIS ISSUE

<b>Does Your Company's Retirement Plan Have a Written Investment Policy in Place?</b>	<b>Page 1</b>
<b>Fiduciary Checklist for Plan Sponsors</b>	<b>Page 3</b>
<b>2014 Retirement Plan Limits</b>	<b>Page 4</b>

# DOES YOUR COMPANY'S RETIREMENT PLAN HAVE A WRITTEN INVESTMENT POLICY IN PLACE?

*continued from page 1*

plan investment offerings should be compared to policy guidelines and inconsistencies should be resolved as soon as possible. Additionally, as market conditions, investment strategies, and available investments change over time, the investment policy should too.

## Need assistance?

It may be helpful to know that many investment advisors assist in development and maintenance of investment policies if you are unsure of what needs to be included for your specific plan. You can also contact Shannon & Associates if you would like more information on plan investment policies, or need assistance developing one.

## FIDUCIARY CHECKLIST FOR PLAN SPONSORS

**P**lan sponsors need to be aware of their fiduciary responsibilities under ERISA. While the laws governing retirement plans and their fiduciaries' responsibilities are complex, complying with them doesn't have to be stressful. The following are areas of review that retirement plan fiduciaries may want to consider in fulfilling their fiduciary responsibilities. This is only a guide, not an exhaustive list of all fiduciary responsibilities. Plan sponsors and plan officials are encouraged to consult their ERISA attorneys, service providers, advisors, or consultants for additional guidance and information.

### Roles and responsibilities

- Have you identified and made a list of the fiduciaries involved in your plan?

- Have you provided education for the named fiduciaries in your plan? Investments/Annual

### Investment due diligence

- Have you established a written Investment Policy Statement, reviewed it for updates, and monitored plan compliance with the Investment Policy Statement?
- Do you review investments for diversification, performance, benchmarks, and fees?
- If the plan is intended to comply with ERISA Section 404(c), have you ensured that the investment lineup meets the required guidelines?
- Have you documented the investment options review, including decisions regarding the

evaluation and replacement of investment options that do not meet the required criteria?

- Do you maintain this documentation in a central due diligence file?

### Administration and compliance

- Do you conduct an annual or more frequent meeting with the retirement committee and plan fiduciaries, and record detailed minutes of those meetings, including all decisions?
- Have you reviewed the process for collecting employee contributions, loan repayments, forwarding contributions and repayments to the service provider, and meeting the "timely manner" criteria?
- Are you in compliance with Internal Revenue Code tests, such as non-discrimination?
- Do you review outside experts and service providers annually (including investment advice providers, plan consultants, trustee and/or record keeper, etc.)?
- Have you reviewed fees paid to all outside service providers to the plan (direct and indirect) to ensure complete understanding of all costs and services associated with those fees?
- Have you reviewed contracts with experts and service providers, making sure the contracts are in writing, do not contain provisions that conflict with fiduciary

*continued on page 3*



# FIDUCIARY CHECKLIST FOR PLAN SPONSORS *continued from page 2*

standards of care, and do not authorize fees that are in excess of “reasonable compensation?”

- Have you checked the fidelity bond to ensure that it provides an appropriate coverage amount and that it covers fiduciaries and other employees or third parties involved with the retirement plan?
- Have you completed and filed all government reporting, such as Forms 5500 and 1099R?
- Do you document all procedures and decisions and maintain the documents in a central file?

## Operational review

- Have you reviewed the plan document to ensure that it has been updated for all required legislative provisions (e.g., GUST, EGTRRA, etc.)?
- Did you verify that the plan covers the right employees, does not exclude employees who may be entitled to participate in the plan, and that the plan’s definition of an eligible employee is consistent with the way the plan is being administered?
- Have you reviewed the definition of compensation as defined in the plan document, and verify that the correct compensation amounts are being sent to the service providers?
- If the plan includes an automatic enrollment plan feature, have you verified that the default investment option is selected using a prudent process consistent with ERISA, confirmed contributions are invested in the default option, and provided participants with communications regarding the default?
- If the plan document is a “prototype” document, have you made sure that it is IRS-approved and has been amended as required by the IRS procedures?
- Have you reviewed the process for making plan loans and verified that the loan processing by the service provider is consistent with the written procedures of the plan?

## Plan design

- Have you considered trends/competition - how does your plan compare to your peers?
- Do you understand legislative or regulatory changes that impact the plan or procedures?
- Have you reviewed the impact of corporate/demographic changes, and considered contribution limit changes?

## Employee participant communication and education

- Have you maintained a Summary Plan Description (SPD), updated for all plan design changes, and distributed to all employees? (ERISA requires that SPDs, summaries of material modification, and summary annual reports are automatically disclosed to participants/beneficiaries.)
- Do you provide ongoing communication on investments (including investment option information) and plan features (e.g., loans, distributions, contributions, etc.)?
- Have you conducted educational meetings, met the communication requirements for compliance with 404(c), and complied with fee disclosure requirements under 404(a)?
- Have you maintained samples of all participant communications, including the date provided and to whom provided, and have you maintained a record of the administrative procedures used to distribute the required disclosures?

## Limiting liability

- Have you obtained fiduciary liability insurance (errors and omissions insurance)?
- Do you use qualified experts (individuals, firms, and sources with advanced knowledge and experience with qualified plans and fiduciary responsibilities) to assist plan fiduciaries?

- Have you considered having the plan comply with ERISA Section 404(c)?

For more guidance on plan sponsor fiduciary responsibility, contact Julie Courtney at [jcourtney@shannon-cpas.com](mailto:jcourtney@shannon-cpas.com) or Jeanette Roatch at [jroatch@shannon-cpas.com](mailto:jroatch@shannon-cpas.com). We would be happy to assist you.

## Can We Help?

**Our firm offers a broad range of employee benefit plan services. If we can be of service to you, please call!**

## GET CONNECTED!



Shannon & Associates



@SHANNONCPAS



Shannon & Associates



# 2014 RETIREMENT PLAN LIMITS

The IRS recently released the cost-of-living adjustments for the 2014 plan limitations. A few of the limits have increased, but many of them have stayed the same. Below are the key 2014 dollar limits and thresholds.

	2014	2013
Defined Contribution Plan Dollar Limit on Annual Additions	\$52,000	\$51,000
Defined Benefit Plan Limit on Annual Benefits	\$210,000	\$205,000
Maximum Compensation Used to Determine Benefits or Contributions	\$260,000	\$255,000
401(k), SARSEP, 403(b) and 457 Plan Deferrals	\$17,500	\$17,500
401(k), SARSEP, 403(b) and 457 Plan Catch-Up	\$5,500	\$5,500
SIMPLE Deferrals	\$12,000	\$12,000
SIMPLE Catch-Up	\$2,500	\$2,500
IRA Contributions	\$5,500	\$5,500
IRA Catch-Up	\$1,000	\$1,000
Dollar Limit Used to Define Highly Compensated Employees	\$115,000	\$115,000
Compensation Defining Key Employee (Officer) for Top-Heavy Plans	\$170,000	\$165,000
Social Security Taxable Wage Base	\$117,000	\$113,700



**Julie Courtney, CPA, Partner**, our Director of Accounting and Auditing for Shannon & Associates, is in charge of the firm's employee benefit plan audit practice. Julie is involved in all aspects of the audits we perform as well as plan consulting and advisory services.

Julie has over 20 years of public accounting experience. Her areas of expertise include benefit plan and financial audits and financial reporting. Her responsibilities include advising closely-held businesses, internal control review, and various tax engagements. She also assists in quality control and staff training for the firm. Julie attends the AICPA National Conference on Benefit Plans annually. She has served clients in many industries including the following: manufacturing, non-profit organizations, real estate development, wholesale distributors, restaurants, construction (home builders), and professional services. Julie holds a Bachelor of Arts degree in Accounting from Western Washington University.



**Bethany Hulbert, CPC**, our Employee Benefits Consultant, has over 9 years experience specializing in defined contribution plan administration and holds the Certified Pension Consultant (CPC) credential from the American Society of Pension Professionals and Actuaries (ASPPA). This experience, along with her educational background in accounting and attendance at numerous seminars and courses, has resulted in an up-to-date mastery in profit sharing, 401(k), and money purchase pension plans. We encourage you to contact Bethany regarding any questions you may have with your defined contribution plans.

Bethany provides expert and timely services in the areas of plan document design, implementation and submission to the IRS; employee communications; all aspects of plan administration; evaluation of controlled groups and related businesses; discrimination/coverage testing and solutions; compliance with all reporting required by the IRS and DOL; and minimum required distributions.

## SHANNON & ASSOCIATES, LLP

Certified Public Accountants & Management Consultants

1851 Central Place South, Suite 225, Kent, WA 98030 | 253-852-8500

info@Shannon-CPAs.com | www.Shannon-CPAs.com

The Shannon & Associates, LLP Employee Benefit Advisor is prepared by Shannon & Associates, LLP and PDI Global.

This Newsletter does not have any official authority and the information contained therein should not be acted upon without professional advice.

COPYRIGHT 2013 SHANNON & ASSOCIATES, LLP AND PDI GLOBAL